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Arizona Corporation Commission

**BEFORE THE ARIZONA CORPORATION COMMISSION**

CARL J. KUNASEK  
Chairman

DEC 18 2000

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JIM IRVIN

Commissioner

DOCKETED BY

CR

WILLIAM A. MUNDELL

Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

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IN THE MATTER OF THE APPLICATION OF  
VERIZON SELECT SERVICES, INC. F/K/A GTE  
COMMUNICATIONS CORPORATION FOR A  
COMPETITIVE CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY AUTHORIZING  
INTER-EXCHANGE FACILITIES-BASED SERVICES  
AND THE CONSTRUCTION AND OPERATION OF A  
COMPETITIVE INTER-EXCHANGE LONG DISTANCE  
TELECOMMUNICATIONS SYSTEM THROUGHOUT  
THE STATE OF ARIZONA

DOCKET NO. T-03258A-00-0325

IN THE MATTER OF THE APPLICATION OF  
VERIZON SELECT SERVICES, INC. F/K/A GTE  
COMMUNICATIONS CORPORATION FOR  
AUTHORITY TO OPERATE AS A PROVIDER OF  
ALTERNATIVE OPERATOR SERVICES STATEWIDE  
IN ARIZONA

DOCKET NO. T-03258A-97-0568

IN THE MATTER OF THE APPLICATION OF  
VERIZON SELECT SERVICES, INC. F/K/A GTE  
COMMUNICATIONS CORPORATION FOR A  
COMPETITIVE CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY AUTHORIZING  
LOCAL EXCHANGE SERVICES VIA RESALE AND  
THE CONSTRUCTION AND OPERATION OF  
A COMPETITIVE LOCAL EXCHANGE  
TELECOMMUNICATIONS SYSTEM THROUGHOUT  
THE CURRENT LOCAL EXCHANGE OPERATING  
AREAS IN THE STATE OF ARIZONA OF US WEST  
COMMUNICATIONS, INC.; AND CITIZENS  
UTILITIES COMPANY AND AFFILIATES

DOCKET NO. T-03258A-97-0545

IN THE MATTER OF THE APPLICATION OF  
VERIZON SELECT SERVICES, INC. F/K/A GTE  
COMMUNICATIONS CORPORATION FOR A  
CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY TO PROVIDE COMPETITIVE  
INTRASTATE TELECOMMUNICATIONS SERVICES  
AS A RESELLER

DOCKET NO. T-03258A-96-0492

**STAFF'S FAIR VALUE RATE BASE COMMENTS**

On November 17, 2000, Verizon Select Services, Inc. ("Verizon") filed a response to the  
October 31, 2000 Procedural Order's requirement that Verizon file Fair Value Rate Base ("FVRB")

1 information in support of its application for a Certificate of Convenience and Necessity ("CC&N").  
2 Verizon is currently providing service in Arizona. The October 5, 2000 Procedural Order ordered  
3 the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and  
4 charges within 60 days of the date of the Procedural Order.<sup>1</sup> Staff hereby files its disagreements with  
5 Verizon's November 17, 2000 filing.

6 **Staff's Substantive Comments.**

7 Verizon's response to the ordered FVRB information provides insufficient information for  
8 Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires  
9 the following three items of information of Verizon in order to make a FVRB recommendation.  
10 First, a dollar figure representing Verizon's rate base is necessary for a FVRB analysis. This dollar  
11 figure should include all assets used to provide the proposed telecommunications services to its  
12 Arizona customers for the first twelve months of service, and can include office space, office  
13 equipment, company vehicles, and other like items. Second, a FVRB analysis requires that Verizon  
14 provide its maximum revenues received in exchange for providing the proposed telecommunications  
15 services to its Arizona customers for the first twelve months of service, assuming the maximum rates  
16 as filed in the application. Third, a FVRB analysis requires that Verizon provide its maximum  
17 expenses incurred in providing the proposed telecommunications services to its Arizona customers  
18 for the first twelve months of service, assuming the maximum rates as filed in the application.

19 The October 31, 2000 Procedural Order referenced the Opinion of the Arizona Court of  
20 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that  
21 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the  
22 Opinion to the Arizona Supreme Court, including the Arizona Corporation Commission, Electric  
23 Lightwave, Inc., AT&T, Sprint Communications, MFS Intelnet, and Cox Arizona Telcom.

24 **Staff's Procedural Comments.**

25 Staff believes that in light of the current appeal status of the Opinion, Verizon should have  
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27 1 The October 31, 2000 Procedural Order also ordered Staff to review the FVRB information  
28 filed and ascertain that Verizon is utilizing the appropriate amount of depreciation and capital  
carrying costs in determining its total service long-run incremental costs. The information filed by  
Verizon on November 17, 2000 was not sufficient to allow Staff to so ascertain.

1 the choice of the following two procedural options in proceeding with its CC&N application.

2 Alternative #1:

3 Staff recommends that if Verizon wishes to have permanent rates set in this proceeding, that  
4 it be ordered to file the three above-described FVRB information items within 30 days of the date  
5 of any Commission order granting the requested CC&N. If there are any disagreements with any  
6 FVRB information Verizon files, the Order granting Verizon's CC&N should be stayed pending  
7 resolution of those disagreements.

8 Alternative #2:

9 If Verizon desires to proceed with its CC&N application without providing FVRB  
10 information at this time, Staff believes that any tariffs filed in this matter should be reviewed and  
11 approved on an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an  
12 interim basis, Verizon should be required to file the three FVRB items, based on actual information,  
13 if available, with the Commission within thirty days of any final court mandate on the Fair Value  
14 requirement, and failure to file the information should result in the expiration of the conditional  
15 CC&N as well as expiration of any approval to charge its tariffs on an interim basis. If there are any  
16 disagreements with any FVRB information Verizon files, the Order granting Verizon's CC&N  
17 should be stayed pending resolution of those disagreements.

18 RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of December, 2000.

19 By: 

20 Teena Wolfe  
21 Arizona Corporation Commission  
22 Attorney, Legal Division  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007  
25 (602) 542-3402

26 The original and fifteen copies  
27 of the foregoing filed this 18<sup>th</sup> day  
28 of December, 2000, with:

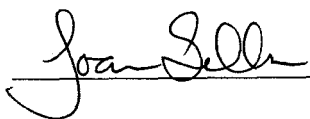
Docket Control  
Arizona Corporation Commission  
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Phoenix, Arizona 85007

1 Copy of the foregoing was mailed  
2 this 18<sup>th</sup> day of December, 2000 to:

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